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MEMO

TO: Members of the City Council

June 1, 1978

FROM: City Manager

SUBJECT: REPORT ON BUDGET REDUCTION ALTERNATIVES BASED ON PASSAGE OF PROPOSITION 13.

The Preliminary Budget as submitted reflects a \$3,287,665 General Fund budget which is actually about 1% less than the adopted budget for 1977-78. The proposed budget is funded using General Revenue Sharing, Fund Balance Carry-over, and assumes the same level of property tax revenues as actually expected to be received in 1977-78, or \$956,245. Obviously an increase would be expected under normal circumstances, but using the status quo gives a common base to depart from depending on whether Proposition 8 or Proposition 13 is successful. It is very difficult to project just what the decrease in revenue would be under Proposition 13. The 1975-76 tax roll will have to be reconstructed, the 2% increase in valuation plus new construction computed, and then some formula for allocation to the cities prepared. For purposes of this report, we have assumed a decrease of approximately 60% from the 1977-78 property tax revenue. This could mean a loss of anywhere from \$550,000 to \$600,000. However, this must be qualified by assuming that at least \$100,000 would be allowable for the Debt Service requirements of previously passed General Obligation Bonds. There is no way to accurately determine what the revenue loss would be or how much replacement revenue might be received from the State. Also, there may be the potential for increased revenue from other sources, although this option would be limited under Proposition 13. For example, a potential new development tax on all new construction or an increased business license tax is probably not allowable without a 2/3 vote of the "qualified electors".

Keeping in mind that there are many unknowns as to the final net effect on the City, and assuming that about \$450,000 may indeed be lost, I reviewed with the department heads those areas where we felt potential reductions in the proposed budget could be made without severely impairing the ability to deliver services. These reductions are detailed further in this report, and total approximately \$250,000. This still leaves a \$200,000 + shortfall. Other alternatives the Council could consider include:

1. Reduce by \$50,000 the \$100,000 contingency account which was included to provide for unforeseen expenditures, as well as any negotiated salary increases.
2. Further reductions in personnel which would approximately \$50,000. This could translate to four ~~positions~~ ^{INSTITUTE OF GOVERNMENTAL STUDIES LIBRARY} depending on the salary range of the employees involved.

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3. Utilizing approximately \$50,000 from our general fund unappropriated cash reserves, although this would leave us a very minimal balance of only approximately \$100,000.
4. Borrow \$50,000 or more from the Water Fund to make up the remaining deficit. I do not believe it is a good idea to draw too heavily on the Water Fund as some major water system improvements are needed in the near future.

Obviously, the above is a worst case situation. The actual recommended action plan must simply wait until a more accurate revenue picture can be obtained. The following summary shows itemized reductions by activity number in arriving at the above \$250,000 figure.

<u>ACTIVITY</u>	<u>PROPOSED REDUCTION</u>	<u>AMOUNT</u>
All Departments	Reduce all travel, conf. and meeting accounts by 1/2	\$ 7,000
110-Comm. Promotions	Amount for architect to do preliminary plans and cost estimates for downtown beautification.	20,000
	Community Calendar	3,800
111-Non Dept.	New Pitney-Bowes Mailing Machine	1,780
	Elimination of pilot micro filming project and micro film reading machine	1,800
103-City Clerk	Elimination of part time clerical help.	2,500
109-Data Processing	Conversion of existing computer to handle general ledger budgetary accounting.	9,300
107-Planning Div.	Deletion of planning intern	3,000
113-Personnel	Employee Motivation Program	2,000
131-Police	Do not place now vacant position of Typist Clerk; instead transfer position from City Hall to Police Department.	9,000
	Deletion of requested new position of Police Officer.	19,000
	Architectural services for new police station	30,000
	Crossing Guard	2,500

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<u>ACTIVITY</u>	<u>PROPOSED REDUCTION</u>	<u>AMOUNT</u>
131-Police	Deletion of contribution towards Youth Services Bureau.	\$ 8,000
	Replace three patrol vehicles rather than four.	6,000
	Delay phased replacement of police car and portable police radios to private line frequency.	11,500
132-Fire	No fire marshal inspection services	15,000
	Hire three firefighters instead of five to provide two man engine company coverage on eight hour shifts from 12:00 noon to 8:00 at night seven days a week.	30,000
140-P/W Admin.	Deletion of automobile for Public Works Dir.	4,500
	Delay installation of mobile radio units in selected Public Works vehicles.	7,500
141-Engineering	Deletion of part time engineering aid position.	5,000
	Reduction in amount spent on inspection fees and misc. studies required throughout the year.	5,000
142-Street Maint.	Overall reduction in equipment rental, special departmental supplies and asphalt and concrete	10,000
	Deletion of utility trailer.	4,000
145-Public Gldg.Maint.	Improvements to El Toro Fire Station.	1,600
	Improvements to Library parking lot.	1,000
	Improvements to Police Dept. parking lot.	5,000
146-Parks Maint.	Reduction in proposed tree trimming and materials and supplies for new park maintenance.	6,000
601-Recreation	Deletion of proposed Teen Coordinator position	7,515
	Elimination of city funded insurance premium for Recreation Programs. Require all participants to pay own fee.	2,200

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<u>ACTIVITY</u>	<u>PROPOSED REDUCTION</u>	<u>AMOUNT</u>
601-Recreation	Reduction in various recreation program activities	\$ 6,000
	Elimination of City share for new scoreboard clock and new gym mats for Friendly Inn.	2,750
	TOTAL	\$ 250,245

This report is intended for information only at this time. The outcome of the election will be known by our first study session.

Charles Cate
CHARLES R. CATE

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